

Message Text

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ACTION EB-11

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TAGS: ETRN, NI

SUBJECT: PAN AMERICAN "FREIGHTER" FREQUENCY

REF: LAGOS 3514

1. BEGIN SUMMARY: TRANSPORT DEPPERMSSEC FRANCIS OBI INDICATES THAT PROSPECTS ARE DIM FOR APPROVAL OF PANAM'S REQUEST FOR A FOURTH NEW YORK-LAGOS FREQUENCY. CURRENT BLOCKED SEAT ARRANGEMENT ON PASSENGER FLIGHTS IS MONEY-LOSING PROPOSITION FOR NIGERIA AIRWAYS AND UNLESS THERE SOME SIGN THAT PAN AMERICAN WILL EXERT ITSELF SO THAT ITS PARTNER CAN SHARE IN BENEFITS NO ONE IN FMG COULD RECOMMEND PASSING ANY MORE PLUMS TO PAN AMERICAN. END SUMMARY.

2. DURING CONVERSATION ON ANOTHER SUBJECT DEPPERMSSEC FRANCIS OBI RESPONDED WITH SHARP CANDOR TO EMBASSY OFFICER'S INQUIRY ABOUT PROSPECTS FOR APPROVAL OF PANAM'S PENDING REQUEST FOR A WEEKLY ROUND-TRIP, ALL-FREIGHTER SERVICE ON THE LAGOS-NEW YORK RUN. OBI SAID THAT HE SAW LITTLE PROSPECT FOR APPROVAL OF THIS PROJECT, WHICH IS NOW ON COMMISSIONER DIKKO'S DESK. EMPHASIZING THAT HE SPEAKING VERY FRANKLY, HE SAID THAT HE COULD NOT ESCAPE THE CONCLUSION THAT ONCE AGAIN AN AMERICAN
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COMPANY IS MISSING A FINE OPPORTUNITY FOR MUTUALLY BENEFICIAL COOPERATION IN THE CIVIL AVIATION SECTOR HERE.

HE BELIEVES PAN AMERICAN IS THROWING AWAY A GOLDEN OPPORTUNITY BECAUSE OF ITS REFUSAL TO EXERT ANY EFFORT TO MAKE THE CURRENT BLOCKED SEAT ARRANGEMENT A MUTUALLY BENEFICIAL PROPOSITION FROM WHICH PANAM'S PARTNER, NIGERIA AIRWAYS, COULD ALSO PROFIT. THE COST OF MAKING THE BLOCKED SEAT ARRANGEMENT VIABLE WOULD AMOUNT TO ONLY "PEANUTS," OBI SAID, IN COMPARISON WITH THE OPPORTUNITY FOR HUNDREDS OF THOUSANDS OF DOLLARS OF BADLY NEEDED PROFITS THAT PANAM STANDS TO GAIN FROM THE FREIGHTER SERVICE.

3. OBI WENT ON TO EXPLAIN THAT THE "BLOCKED SEATS," WHICH HAVE BEEN CUT BACK TO 14 EACH WAY PER WEEK ON ONE OF PANAM'S THREE EXISTING WEEKLY FREQUENCIES, ARE OPERATING AT A LOSS FOR NIGERIA AIRWAYS. HE NOTED THAT PANAM FINDS THE SERVICE SO PROFITABLE IT WISHES TO EXPAND, BUT ITS PARTNER IS LOSING MONEY EVEN THOUGH IT HAS ONLY A MINISULE PART OF THE SERVICE --28 SEATS PER WEEK OUT OF NEARLY 800 PER WEEK, WHEN BOTH DIRECTIONS CONSIDERED. EMBASSY OFFICER POINTED OUT THAT OBI KNEW VERY WELL THE PREMISES UNDERLYING BLOCKED SEATS AND HAD REAFFIRMED THEM SEVERAL TIMES IN PAST YEAR. OBI AGREED THAT EACH PARTNER SHOULD BE RESPONSIBLE FOR THE SALE OF ITS OWN SEATS. OBI SAID HE HAD NO QUARREL WITH THIS PRINCIPLE BUT EMPHASIZED THAT NIGERIA AIRWAYS WAS NOW GOING THROUGH AN ESPECIALLY DIFFICULT PERIOD AND ITS PARTNERS ON OTHER ROUTES WERE BEING MUCH MORE UNDERSTANDING. HE CITED THE BENEFITS FROM POOLS ON THE EUROPEAN RUNS WHICH AT LEAST ALLOW NA TO SHARE IN SOME OF THE EARNINGS OVER THOSE ROUTES.

4. THEN ENLARGING THE DISCUSSION SOMEWHAT, HE SAID THAT HE HAD STUDIED CAREFULLY THE "PURE SERVICE" BENEFITS THAT MIGHT ACCRUE TO NIGERIA AS A COUNTRY (DISTINCT FROM THE GOVERNMENT'S AIRLINE) FROM A DIRECT U.S.-NIGERIA FREIGHTER SERVICE. HE SAID THAT IF THESE WIDER SOCIAL BENEFITS WERE SUFFICIENTLY CLEAR, THEN THE FREIGHTER SERVICE WOULD HAVE TO BE ADDED EVEN IF LIMITED OFFICIAL USE
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NIGERIA AIRWAYS COULD NOT SHARE DIRECTLY IN ITS BENEFITS. HOWEVER, HE HAD CONCLUDED THAT THE "PURE SERVICE" BENEFITS OF A FREIGHTER RUN WERE ONLY MARGINAL, JUST AS WERE THE BENEFITS FROM THE CURRENT PANAMDIRECT PASSENGER SERVICE. MOST NIGERIANS, HE INSISTED, PREFERRED TO STOP OVER IN EUROPE ON TRAVELS TO AND FROM THE UNITED STATES. ROUTING FREIGHT THROUGH EUROPE DOES NOT TAKE MUCH LONGER AND DOES NOT ADD TO DIRECT COSTS. BUT IT DOES PERMIT NIGERIA AIRWAYS TO SHARE SOMEWHAT IN THE PROFITS BECAUSE OF ITS POOLING ARRANGEMENTS

WITHTHE COMPANIES THAT CARRY THE FREIGHTER ON THE EUROPE-LAGOS SEGMENT OF THE RUN. HE SAID THAT EVEN THOUGH HIS STUDY INDICATED THAT AN ADDITIONAL WEEKLY FREQUENCY WOULD BE THE MOST MARGINAL BENEFIT TO NIGERIA HE WAS PERSONALLY INCLINED TO TRY TO EXPAND THE BLOCKED SEAT AND BLOCKED SPACE CONCEPTS, BECAUSE THIS OULD BE HELPFUL TO NA'S FUTURE. HOWEVER, THERE WAS NO CHANCE OF SELLING THIS PROPOSITION WITHIN THE FMG UNDER PRESENT CONDITIONS BECAUSE IT LOOKED SIMPLY LIKE A -GIVE-AWAY" TO PAN AMERICAN. IN ENDING, HE ONCE AGAIN REGRETTED THAT BECAUSE IT COULD NOT TAKE ITS EYES OFF THE "PEANUTS," PANAM WAS PREVENTING A GOOD CONCEPT FROM FLOURISHING.

5. COMMENT: OBI SEEMS TO HAVE REGAINED MUCH OF HIS OLD CONFIDENCE AFTER THE DEPRESSING DAYS EARLY THIS YEAR WHEN HIS NEW BOEINGS WERE GROUNDED IN SEATTLE AND HE FOUND TWA SO DIFFICULT. EMBASSY BELIEVES THAT OBI IS ONCE AGAIN SIGNALLING PANAM THAT THE BLOCKED SEAT ARRANGEMENT MUST BE MADE SUCCESSFUL IF SERVICE IS TO BE EXPANDED. SOME WAY HAS TO BE FOUND TO ALLOW NIGERIA AIRWAYS TO SHARE IN SOME OF THE BENEFITS OF THE NEW YORK-LAGOS TRAFFIC. THIS DOES NOT MEAN THAT PANAM HAS TO SELL NA'S SEATS FOR IT BUT IT HAS TO SHOW SOME CONCERN FOR ITS PARTNER'S PLIGHT, THAT IS, IT SHOULD TAKE A FEW STEPS TO HELP NIGERIA AIRWYAS IMPROVE ITS SALES PERFORMANCE. IT IS JUST NOT A VISABLE ARRANGEMENT FOR PANAM TO SELL SOME 70-77 PERCENT OF ITS SPACE ON THESE PLANES WHILE OBI CLAIMS THAT LESS THAN 40 PERCENT OF NA'S SEATS HAVE BEEN SOLD RECENTLY. ALSO, OBI HAS A POINT THAT WOULD BE WIDELY SHARED IN FMG CIRCLES WHEN HE COMPARES THE RELATIVE COSTS TO PANAM OF HELPING LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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NA TO SELL AN ADDITIONAL FIVE SEATS ON EACH FLIGHT WITH THE PROFITS THAT PANAM COULD GAIN FROM A WEEKLY FREIGHTER SERVICE. SUGGEST THAT PANAM VP LOY BE APPRISED OF CONTENTS OF THIS MESSAGE.
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